



COUNTRY PRIVATE SECTOR DIAGNOSTIC

CREATING MARKETS IN THE DEMOCRATIC REPUBLIC OF CONGO

Putting Natural Resources to Sustainable Productive Use

Executive Summary

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EXECUTIVE SUMMARY

A critical and fragile country in Sub-Saharan Africa, the Democratic Republic of Congo is a large, populous country (80 million people) and one of the poorest in the world (73 percent of its population lives in extreme poverty). It has been in a state of conflict and fragility for the better part of the past 40 years. Pervasive economic governance problems and various crises (national security and the COVID-19 pandemic that followed 10 previous Ebola outbreaks) continue to simmer throughout the Democratic Republic of Congo, partially brought on by issues with neighboring countries. Given its high population growth (3.3 percent annually), the Democratic Republic of Congo is faced with a population expected to reach 400 million in 50 years, making Kinshasa the largest city in Africa alongside Lagos. There is, therefore, an urgent need for the country to adopt a strong, sustainable growth path. This will require a growing private sector to meet the country's needs.

The worldwide demand shock following the COVID-19 crisis has added to the numerous challenges the country has been facing in recent years, underlining the urgent need for economic reform. One possible positive result should be the development of new, more resilient sources of foreign exchange other than copper: strategic raw materials such as rare minerals and cobalt, import substitution of food products, and carbon financing to leverage its forest resources. Another result might be the increase and formalization of the domestic sources of the Democratic Republic of Congo's fiscal revenues. The country should also mobilize and support the vast network of faith based organizations (FBO) to aid in helping the population get through the COVID-19 pandemic.

Private sector growth should be considered in this context as a potential response to strong drivers of fragility. The sources of fragility in the Democratic Republic of Congo are multiple, the most important ones being (a) volatile and undiversified sources of fiscal and foreign exchange revenues with extreme reliance on copper; (b) a legacy of a dysfunctional governance system that has been based on patronage and that has led to a lack of trust and cohesion at every level of society; (c) the fragmentation of the country's economy, which creates local vulnerabilities and spatial disparities that expose some regions to specific risks (the high number of poor people in the Kasai and Kivus regions, Ebola, the conflict in the Kivus, and 400,000 refugees coming from Angola); and (d) a financial system that is small and underdeveloped and is characterized by low financial inclusion, limited access to and high costs of credit, and almost a total lack of access to long-term loans necessary to finance productive investments.

The country's first peaceful political transition following the election of President Tshisekedi in January 2019 has created the opportunity to move away from the status quo. There is also an opportunity to build on the policy reforms of the past 10 years. These reforms include changes to the mining code; a liberalization of the power, water, and banking and insurance sectors; central bank law and investment code improvements as well as the passage of a new public-private partnership (PPP) law and the New Family Law that grants new rights to women; membership in the Organization for the Harmonization of Business Law in Africa (OHADA); a signing of the New York Convention on the enforcement of foreign arbitration awards; and the new telecom law.

Faced with low levels of resources, a vast number of challenges, and the need to achieve rapid results, the Democratic Republic of Congo needs focused government action that must concentrate on a handful of core sectors and issues before broader diversification and private sector growth kick in. We thus propose a private sector–led development strategy focused on the following three mutually reinforcing pillars:

- Improve the management of natural resource–based sectors (mining, forestry, and agribusiness)
- Promote private sector participation in key enabling sectors (infrastructure, finance, and human capital sectors)
- Improve governance and the investment climate (policy making, taxes, commercial justice and property rights, state-owned enterprises [SOEs], and PPPs)

With sustained growth, increasing fiscal revenues, and continued reforms, this virtuous cycle should expand to other parts of the economy where the private sector will be able to seize new opportunities, starting with the agribusiness, construction, and services sectors to serve rapidly growing urban markets. These reforms will also provide the financial resources for the government to invest more in the critical health and education sectors in partnership with the private sector, which is already very active in these sectors.

IMPROVE THE MANAGEMENT OF NATURAL RESOURCE SECTORS (MINING, AGRIBUSINESS, AND FORESTRY)

This is the most immediate way to produce added wealth and strengthen the fiscal base for public services. Most of these opportunities should survive the worldwide shock on commodity prices following the COVID-19 crisis. Specifically, the Democratic Republic of Congo has a dominant position in strategic minerals such as rare minerals and cobalt, can substitute large agribusiness imports, and could leverage carbon financing by using its forest resources. In focusing on these sectors, the country needs concomitant development of associated infrastructure, which will enable the growth of other sectors, and the promotion and enforcement of environmentally and economically sustainable practices. Next, we discuss each sector in turn.

Extractive industries

The Democratic Republic of Congo has an abundance of mineral resources, but these need to serve national economic development more effectively, and the management of the sector must continue to improve. The 2018 Mining Code is better aligned with international best practices than the previous mining code law because it now incorporates equal and transparent taxes on mining rents. Some operators complain that the cumulative effect of this new mining taxation is too heavy, however, especially considering other costs such as paratariffs and the presence of SOEs. While the good progress in the management of the mining sector is noteworthy, there remain a vast number of measures to improve the sector's performance and its contribution to the Democratic Republic of Congo's development:

• **Financial issues**

- **Clarify how the windfall tax on “super profits” will be calculated, ensuring in particular that it includes such profits that accrue from the resale of mining licenses.** The treatment of underground mining relative to surface mining should also be clarified (surface mining being best left to artisanal miners). So far, the former is encouraged and is conducted in areas where the latter can be easily implemented. Moreover, the use of security forces by industrial mining management to repress artisanal miners has often been reported.
- **Review, once balance of payment constraints ease, the 60 percent repatriation requirement for mining export receipts** (requiring that 60 percent of mining revenues be deposited into a commercial bank in the Democratic Republic of Congo), in line with the International Monetary Fund (IMF) institutional view on capital flows. It imposes unnecessary costs and risks on mining companies. These restrictions on the use of repatriated revenues introduce useless transaction costs and increase uncertainty for private investors.

• **Sector governance**

- **Reform the main mining SOEs, the Générale des Carrières et des Mines (GÉCAMINES), which has been prone to serious governance and performance issues at high cost to the budget.** The options for reforming GÉCAMINES include an in-depth reform of its governance and the limitation of its role to that of a government holding company.
- **Improve the capacity of the government to negotiate licenses and monitor mining operations,** including on issues of cross-border flows and transfer pricing, and rely on world-class third parties.
- **Increase the transparency under which oil and gas exploration and exploitation licenses are awarded.** If resolved, reforming licensing could increase government revenues by 5 to 10 percent.
- **Invest in the development and monitoring of artisanal mining** by preventing child labor, upgrading technology, improving labor safety, and ensuring environmental sustainability and traceability. Do so in partnership with the private sector and local communities with, for instance, concessions designed to allow artisanal miners to mine shallow deposits while industrial miners mine deeper deposits.
- **Improve the management of environmental and social impacts of the sector,** including a better assessment of the environmental liabilities of mining operations.

- **Develop additional information and analysis**, including (a) geological surveys to attract investors to poor regions (Kasai, Tshopo); (b) a strategic assessment of the worldwide cobalt value chain to ensure that the Democratic Republic of Congo benefits maximally from its unique endowment; and (c) feasibility studies for developing (through PPPs, some with major mining companies) the transport and power infrastructure needed to support the competitiveness and development of the sector (these would include targeted investments in key transport nodes, as well as the rehabilitation of dams).

Agribusiness

In the face of both immense natural potential and extremely difficult conditions that hinder agribusiness, more immediate opportunities to develop markets should focus on three sectors: horticulture, livestock, and fisheries, for supplying fast-growing urban markets, and a well-developed agricultural system with large tracts of land on which established players in need of financial and technical assistance can grow industrial and export crops.

Cash crops (rubber, palm oil, coffee, tea) are concentrated in Nord-Kivu, Equateur, and Kwilu and could be competitive in domestic or selected export markets. Following improvements in river and road connectivity, existing large players are looking for financial and technical support and partnerships to develop more than 50,000 hectares of land that they already own. Development would create thousands of badly needed jobs in the short term and benefit households in some of the poorest areas through improved education and health care services provided by these large players, and further has the potential to create outgrower schemes (plantations villageoises) over time.

Horticultural, livestock, and fishery products could supply rapidly growing urban markets, which currently rely largely on imports of these goods, if concerted effort is made to partner public support with private initiatives along each value chain. Such support will include river and road connectivity, security, agriculture innovation services (leveraging information and communication technology; ICT), seed development, food safety, animal and plant health services, and industrial zones for agriprocessing such as the PPP Maluku Special Economic Zone near Kinshasa.

There are two necessary short-term policy reforms that will produce higher levels of investment: (a) the removal of the Office National des Produits Agricoles (ONAPAC)¹ decree, which levied a two percent sales fee on 15 key agricultural commodities and (b) the removal of the restriction on foreign investment (article 16 of the 2011 Agriculture Law).

Forestry

The existence of the Democratic Republic of Congo's forests, which constitute the second largest swath of rainforest in the world, is threatened: 1.3 million hectares disappear each year.² The country has an opportunity to take pressure off of natural forests by improving agricultural productivity (the growth of traditional intensive agriculture being the main cause of deforestation) together with developing agroforestry plantations on bare savannah and degraded land to provide cities with more sustainable food and with forest products such as charcoal and lumber. Additionally, carbon finance mechanisms could be leveraged to provide results-based incentives for

preserving forest lands and developing carbon storage by plantations. This would take advantage of the increasing interest from international companies seeking to finance “carbon sinks” to help reduce their carbon footprint. Results-based financing such as carbon finance requires capacity and tools for measuring and monitoring the emission reductions generated and for ensuring that carbon payments reach the intended beneficiaries, such as local communities.

Finally, there is a potential for the country to conserve its forests by addressing illegal logging and the export of illegal lumber and by promoting sustainable forest management practices that balance the country’s short- and long-term economic goals, improve income security for forest-dependent communities, and enable the conservation of wildlife and biodiversity. This effort will require both improving the government’s capacity to govern forest lands, such as by efficiently and effectively enforcing and monitoring sustainable management plans in forestry concessions, and encouraging sustainable forest management as an economically viable land use option using, for instance, private sector mechanisms like third-party voluntary certification. This may in turn allow the Democratic Republic of Congo to tap the potential to develop the export of high-value sustainable woods. Incentivizing in-country wood processing could also help develop markets and capture greater value and the related benefits in terms of jobs and income. As for agribusiness, this process will require concerted actions that draw on lessons learned from relevant international experience.

REFORM AND PROMOTE PRIVATE PARTICIPATION IN KEY ENABLING SECTORS (INFRASTRUCTURE, FINANCE, AND HUMAN CAPITAL SECTORS)

There are tremendous gaps in the provision of key infrastructure, and not all can be addressed in the short term. Very high transportation costs trap entire regions in poverty and severely limit the Democratic Republic of Congo’s connection with world markets. The need to transship cargo, for instance, from the deep-sea port of Pointe Noire in the Republic of Congo to Kinshasa through the Matadi River port and then further onward down the Congo River toward Kisangani brings transport costs that are many times what other countries face. The Democratic Republic of Congo has one of the most extensive rail networks in Africa, but the rail freight sector has collapsed. Only six of the 26 new provincial capitals can be reached by road from Kinshasa. Logistics infrastructure at the main port of Matadi, at Kinshasa, and along the Congo River suffers from severe maintenance problems that limit circulation.

Likewise, the electrification rate is among the lowest in Africa at 15 to 20 percent and, except for in a few large cities, most of the country does not have any access. Only 50 percent of the installed hydroelectric capacity is operational and the vast potential (13 percent of the world’s potential) is largely untapped. Manufacturing firms source almost half of their electrical power from generators (US\$1 per kilowatt-hour), which is not unusual for the country because of transportation costs that can double the cost of fuel (US\$0.20 is considered an average cost of electricity in most countries), and firms lose on average 11 percent of annual sales because of electrical outages.

Mobile usage is on the rise in the country, the penetration rate of mobile subscribers having almost doubled since 2011 to an estimated 47.3 percent in 2018. The broadband infrastructure, however, remains weak and its usage expensive because the public company, Societe Congolaise des Postes et Telecommunications (SCPT), is the regulatory monopoly provider of the country's telecommunications (telecom) backbone. Therefore, mobile telephony remains the main way to access internet services, the development of which remains limited in the Democratic Republic of Congo. Only 7 percent of firms use internet or cell phones for productive purposes.

The demand is highest in the energy sector because of the present opportunities to develop on- and off-grid renewable solutions linked with mining for the largest projects. Transport and ICT should also be considered because of the important economic spillovers these types of infrastructure generate in other sectors: the facilitation of the delivery of key services and information to the population related to trade, transport, financial technology (fintech), agricultural technology (agtech), educational technology (ed-tech) and e-health. PPPs in the energy, transport, and ICT sectors should be sought only if there is improved transparency and accountability within the government and the poorly performing SOEs that still dominate these sectors. Although the legal framework of these sectors has been liberalized, the new telecom law has only recently been published, and the regulatory agencies have yet to become operational.

The retrenchment of the state and sector liberalization have opened the door for the private sector. The emergence of the still-timid private sector as a provider of infrastructure services has arisen through concessions for developing roads and the Matadi port terminal, a rail concession on the Société Commerciale des Transports et des Ports (SCTP) network, and numerous licenses in the electricity sector for production and distribution in the North Kivu region and in the Copper Belt. The private sector has expressed interest in increasing its presence in regions with strong economic potential (Bas Kongo, Kinshasa, ex-Katanga, and Kivus). The contribution of the private sector could help address transport challenges, improve the country's connection to global markets, and reduce the cost of importing and exporting for businesses (especially minerals) and goods for the population. Examples of possible PPP projects include rail and port operations, hydropower in ex-Katanga that supports the mining industry, mid-sized hydro or solar generation for supplying cities, an expansion of the broadband network for promoting the digital economy, and small-scale water supply systems. Another area where more private sector participation can reasonably be expected is in the provision of water services.

Similar opportunities to involve the private sector exist in the human capital sectors (education and health), where the private sector (including faith-based organizations) has greatly increased its presence to compensate for failing public sector providers. In addition to clarifying the PPP framework in these sectors, the government should leverage new technologies (e-health and ed-tech), increase the training and certification of doctors and teachers, and facilitate access to finance by, for instance, leveraging the proposed multipartner skills fund in support of technical and vocational education training (TVET).

The government should increase access to finance by enabling and promoting fintech (digital money and payments), improving collateral markets (property rights, leasing, and credit bureaus), and providing partial credit guarantees and long-term credit lines.

IMPROVE GOVERNANCE AND BUSINESS ENVIRONMENT (POLICY-MAKING GOVERNANCE, TAXES, COMMERCIAL JUSTICE AND PROPERTY RIGHTS, SOE REFORMS, AND PPPs)

The Democratic Republic of Congo presents one of the most challenging governance and business environments in the world for investors. The 2019 Transparency International Corruption Index ranked the Democratic Republic of Congo 168th out of 180 economies. In addition to these cross-cutting constraints, the country also, as discussed previously, presents a multiplicity of sector-specific constraints that preclude productive private investment. In this context of weak institutions, it would be unrealistic to hope to address all the cross-cutting and sector-specific constraints. The government should, then, focus on reforming the key sectors discussed as well as critical cross-cutting business environment reforms through improved policy-making governance. These reforms are fully aligned with the 26 reforms of “DRC’s Ambassadors” published in 2019.³

Policy-making governance

Weak institutions and poor governance create high policy uncertainty for private investors, which considerably increases the risks and cost of doing business in the Democratic Republic of Congo. There was, for example, no consultation on the 2011 Agriculture Law, which required a 51 percent ownership of agricultural ventures by locals, and this effectively stopped foreign direct investment (FDI) in the sector. It is also common for ministries to issue decrees tilting the level playing field by, for instance, giving import duty exemptions to individual players.

To improve policy-making governance, the government should strengthen the capacity of the Comité Technique des Réformes (CTR), an organization with a good track record and technical capacity that was set up by the Ministry of Finance to implement IMF programs. The CTR should steer the identification, design, and implementation of priority reforms. It should advocate for new essential reforms, exercise quality control by assessing reform proposals, and support and monitor reform implementation. The experience of successful countries shows the importance of having such highly skilled, dedicated, and empowered “reform teams,” such as the deputy prime minister’s team in charge of reforms in Georgia and the Rwanda Development Board, itself inspired by the Singapore Development Board. The CTR should leverage the financial and technical resources made available by development partners and maintain regular contact with the private sector and civil society. A large proportion of implementation could be outsourced to specialized agencies with the support of the private sector, especially for one-off critical activities for which there is no capacity in the country. One example is the large-scale privatization program carried out in Mexico by world-class private sector firms under the supervision of an elite team of seven government officials. Such a program would involve recommended SOE and PPP reforms and is of particular relevance to the operations of the Comité de Pilotage de la Réforme des Entreprises Publiques (COPIREP).

Fiscal reform to increase revenues, level the playing field, and terminate fiscal harassment

The private sector's main complaint is the predatory behavior of and harassment by the government, especially with respect to taxes and nontax and parafiscal payments. These payments are for most firms abusive and discretionary, they don't reflect public services rendered, and they lead to very high costs and a nonlevel playing field, which destroys entrepreneurship.

Taxation targets a portion of the formal private sector in a country where informality is widespread. The overall level of revenue collection as a percentage of gross domestic product (GDP) in the Democratic Republic of Congo is therefore low.⁴ This low level of revenue collection also suggests that a large share of these payments does not find its way into the government's coffers. Furthermore, large segments of the formal private sector benefit from generous and numerous exemptions (there are more than 12 special regimes) that are a source of significant revenue shortfall and unlevel playing fields.

According to the Fédération des Entreprises du Congo (FEC), there are 246 different taxes and other forms of payments made to the government at the central level, most of which are administered by the Direction Générale des Recettes Administratives, Judiciaires, Domaniales, et de Participations (DGRAD) within the Ministry of Finance. In addition, there are hundreds of taxes and other levies collected by provincial government. Some of these taxes can be particularly onerous and unjustified, such as the 2 percent levy on turnover that the ONAPAC collects on most of the main agriculture products despite the dubious and even occasionally nonfunctional nature of the services provided by the organization.

The authorities should (a) aggressively streamline revenue collection using tools like e-payments, (b) reduce the number of taxes and levies (several hundred of which have already been eliminated), and (c) diminish and rationalize the exemptions. In addition, a review of parafiscal levies under the purview of DGRAD and taxes and levies collected by subnational authorities (starting with the main economic centers) should lead to the clarification of the reasons they are collected, who is subject to them, who is collecting them, and how they are calculated, as well as what is their legal status. This process should lead to a significant rationalization of the fiscal landscape for the private sector, a consolidation of collection, and a significant reduction in the amount of taxes and cost-recovery fees paid for public services.

Commercial justice and property rights

Private sector players try to avoid using the unreliable and slow courts to resolve disputes. Most are land-related disputes that result from poorly maintained manual urban land registries. One leading housing developer estimates, for instance, that only 20 percent of titles are "clean" in Kinshasa (in other words, they require long and costly investigations and a 100 percent price premium on prices that are already very high).

Resolving disputes takes a long time (610 days on average) and can be very costly (80 percent of the value of the claim on average)⁵. The signing of the OHADA Treaty and the New York Convention together with the law requiring arbitration is a key step forward.

Going forward, the government should accelerate the reform of commercial courts by promoting mediation, arbitration, training of judges, and the publication of court cases. It should also accelerate the digitalization and securitization of land registries, starting with the land areas of highest value.

SOE reforms and PPPs

As discussed, SOEs dominate many of the Democratic Republic of Congo's key sectors and are failing. Even with strong support from the World Bank, a 15-year reform effort has failed to improve the performance of most SOEs. The reform strategy was pursued in three main phases: (a) the corporatization of SOEs by subjecting them to private company law and OHADA rules; (b) the stabilization of their operations, mainly by introducing international expertise through services contracts, audits, and signing performance agreements; and (c) a restructuring through the implementation of several retrenchment plans and private participation schemes (management contracts). The services contracts essentially helped keep the SOEs afloat and, except at the Régie de Distribution d'Eau (REGIDESO), their impact in terms of management and governance improvements was limited.

PPPs have been established in the Democratic Republic of Congo, but their management must improve and be streamlined if the needs of the country are to be met. This effort will require a clarification of the roles of the existing SOEs in relation to the private sector; an assurance that the PPP process is transparent, inclusive, and competitive in accordance with the new PPP law; and an establishment of centralized structures at the national and provincial level overseeing the engagement of public resources in such partnerships.

Reforming SOEs and promoting economically efficient PPPs will require reinforcing the capacity of government agencies, including that of COPIREP. Reformed SOEs and effective PPPs must go hand in hand with the reforms of the sectors in which they operate. The state thus needs to strengthen its ownership function by consolidating and reinforcing COPIREP and the Conseil Supérieur du Portefeuille (CSP) together with a strong connection with the CTR in charge of steering priority policy reforms.

Table ES.1 summarizes the main private investment and market opportunities identified, together with the short- and medium-term policy measures necessary to enable them. It shows the positive impact these measures will have on the three drivers of fragility, the widespread geographical reach of these measures, and existing or possible World Bank support for their implementation. The table also indicates in bold the opportunities and measures that should be within reach, even in the case of continued fragility of government institutions or external shock.

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- 1 Office National des Produits Agricoles, the government agency certifying all of the Democratic Republic of Congo's agricultural exports.
 - 2 According to the Democratic Republic of Congo's national forest reference emission level submitted to the United Nations Framework Convention on Climate Change (UNFCCC) in 2018, the annual rate of deforestation has increase from 0.44 percent over the period 2000–10 to 1.25 percent over 2010–14. See https://redd.unfccc.int/files/2018_frel_submission_drc.pdf.
 - 3 Ambassadors to DRC, Non-Paper: Improving the Economic Environment and Business Climate in the Democratic Republic of Congo, December 3, 2019.
 - 4 World Bank, "The Democratic Republic of Congo Sixth Economic Update: Increasing Domestic Revenue Mobilization and Restoring Monetary Policy Effectiveness to Foster Accelerated and Inclusive Growth" (Working paper, World Bank, Washington, DC, 2019).
 - 5 Doing Business 2020

TABLE ES.1 OPPORTUNITIES AND RECOMMENDATIONS

| Priority measures and expected impacts on drivers of fragility | Region | Short-term actions and policy measures to create market opportunities | Medium-term actions and policy measures to create market opportunities |
|--|--|--|--|
| 1. Improve management of natural resource sectors. | | | |
| <p>Reforming mining will</p> <ul style="list-style-type: none"> Secure a stronger fiscal and foreign exchange revenue base. Address governance issues rooted in the sector. Target fragile and poor regions. | Ex-Katanga, Kivus, Kasai, Tshopo | <p>Opportunities: Increase mining investments and diversify fiscal mining revenues.</p> <p>Measures: Improve enforcement and monitoring, end special regimes, end super taxes on super profits, promote sustainable artisanal mining, reform GÉCAMINES (governance reform and/or limit its role to that of a holding company).</p> | <p>Opportunities: Develop new mining areas and artisanal mining.</p> <p>Measures: Undertake geological surveys and improve capacity to negotiate, integrate, and formalize artisanal mining; revise the requirement to deposit 60 percent of revenues from export receipts in a Democratic Republic of Congo bank.</p> |
| <p>Reforming agribusiness will</p> <ul style="list-style-type: none"> Support diversification. Target fragile and poor regions. | Equateur, Kwilu, Kongo Central, North Kivu | <p>Opportunities: Expand horticulture, livestock, and fisheries to supply fast-growing urban markets; develop the 50,000 hectares in the hands of established players by providing needed financial and technical assistance (for rubber, palm oil, coffee, and cocoa); prepare for large increase in FDI (if Agriculture Law is revised).</p> <p>Measures: Revise the Agriculture Law (article 16) to enable FDI; eliminate the ONAPAC decree levying 2 percent of sales on 15 key agriculture commodities; initiate feasibility studies to increase supply (of horticulture, fisheries, livestock) to urban markets and development of large farms; complete the development of the 210-hectare Maluku Special Economic Zone as a PPP.</p> | <p>Opportunities: Scale up commercial agriculture serving urban markets; develop plantations villageoises connected to the larger commercial farms.</p> <p>Measures: establish PPPs involving road and river connectivity and security (as a priority), as well as agricultural innovation services^a, seed development, food safety and animal and plant health services.</p> |
| <p>Reforming forestry will</p> <ul style="list-style-type: none"> Secure a stronger fiscal and foreign-exchange revenue base. Target fragile and poor regions. | Mongala, Tshopo, Tsuhuapa, Mai-Ndombe | <p>Opportunities: Increase adoption of best practices in existing forestry concessions to protect and sustainably manage the forests; leverage carbon financing.</p> <p>Measures: Increase the capacity of the government to enforce and monitor concessions and carbon financing contracts with related benefit sharing.</p> | <p>Opportunities: Develop sustainable management of forests and plantations of fast-growing wood for cities in periurban areas.</p> <p>Measures: Increase the capacity of the government to promote the efficient and effective enforcement of forest governance and to promote fast-growing wood plantations (including agro-forestry) on bare land around the main cities; support local MSMEs in the forest sector.</p> |

Note: FDI = foreign direct investment; GÉCAMINES: Générale des Carrières et des Mines; MSME = micro, small, and medium enterprise; ONAPAC = National Office for Agricultural Products (Office National des Produits Agricoles); PPP = public-private partnership; RVF = Régie des Voies Fluviales; MSME = micro, small, and medium enterprise; a. Agriculture innovation services include three pillars: agricultural research and development, extension, and education.

| Priority measures and expected impacts on drivers of fragility | Region | Short-term actions and policy measures to create market opportunities | Medium-term actions and policy measures to create market opportunities |
|--|---|---|---|
| 2. Promote private investment in key enabling sectors. | | | |
| Reforming transport will <ul style="list-style-type: none"> Address governance issues rooted in the sector. | Kongo Central, Kinshasa, Lualaba | <p>Opportunities: Target contract PPPs in transport management and services toward sectors like rail and ports to support mining and international trade.</p> <p>Measures: Improve the governance of transport SOEs (especially SCTP, SNCC, and RVF) and build the capacity to support PPPs.</p> | <p>Opportunities: Establish PPPs that bring investments in infrastructure sectors like rail.</p> <p>Measures: Develop government capacity to integrate PPPs into public investment management.</p> |
| Reforming power will <ul style="list-style-type: none"> Improve access and services in fragile and poor regions. | Kongo Central, Nord and Sud Kivu, Haut-Katanga, Lualaba | <p>Opportunities: Initiate power projects (especially renewable like hydro) to support mining; establish a PPP for hydro near economic centers and gas power generation (Boma) combined with support to the grid when financially sustainable; develop off-grid solar for small businesses and households.</p> <p>Measures: Operationalize regulatory agencies (ARE and ANSER) and improve the governance of SNEL. Build the capacity of provincial authorities and conduct feasibility studies on above-mentioned opportunities.</p> | <p>Opportunities: Expand electricity from mini-grids, further off-grid in solar, biomass (linked with industrial agriculture), and hydro (including in underserved regions).</p> <p>Measures: Develop the capacity to implement PPPs, providing standard contracts for independent power producers at the national and local levels (regional/municipal) and including devolved sector regulatory capacity.</p> |
| Reforming ICT will <ul style="list-style-type: none"> Diversify and increase fiscal revenues through official e-payments to governments and utilities. Improve governance through automation. Improve connectivity with the poorest and most vulnerable regions. | All regions | <p>Opportunities: Unleash the development of broadband.</p> <p>Measures: Develop and implement the regulatory framework of the recently published new telecommunications law; restructure SCPT to support the development of the telecommunications infrastructure.</p> | <p>Opportunities: Develop e-government (taxes, utility payments, land registry), e-agriculture, e-learning, e-health, digital entrepreneurship.</p> <p>Measures: Expand broadband to secondary cities and rural areas.</p> |

Note: ANSER = Agence Nationale de l'Électrification et des Services Énergétiques en Milieu Rural et Péri-Urbain; ARE = Autorité de Régulation du Secteur de l'Électricité; PPP = public-private partnership; RVF = Régie des Voies Fluviales; SCTP = Société Commerciale des Transports et des Ports; SNCC = Société Nationale des Chemins de Fer du Congo; SNEL = Société Nationale d'Électricité; SOE = state-owned enterprise;

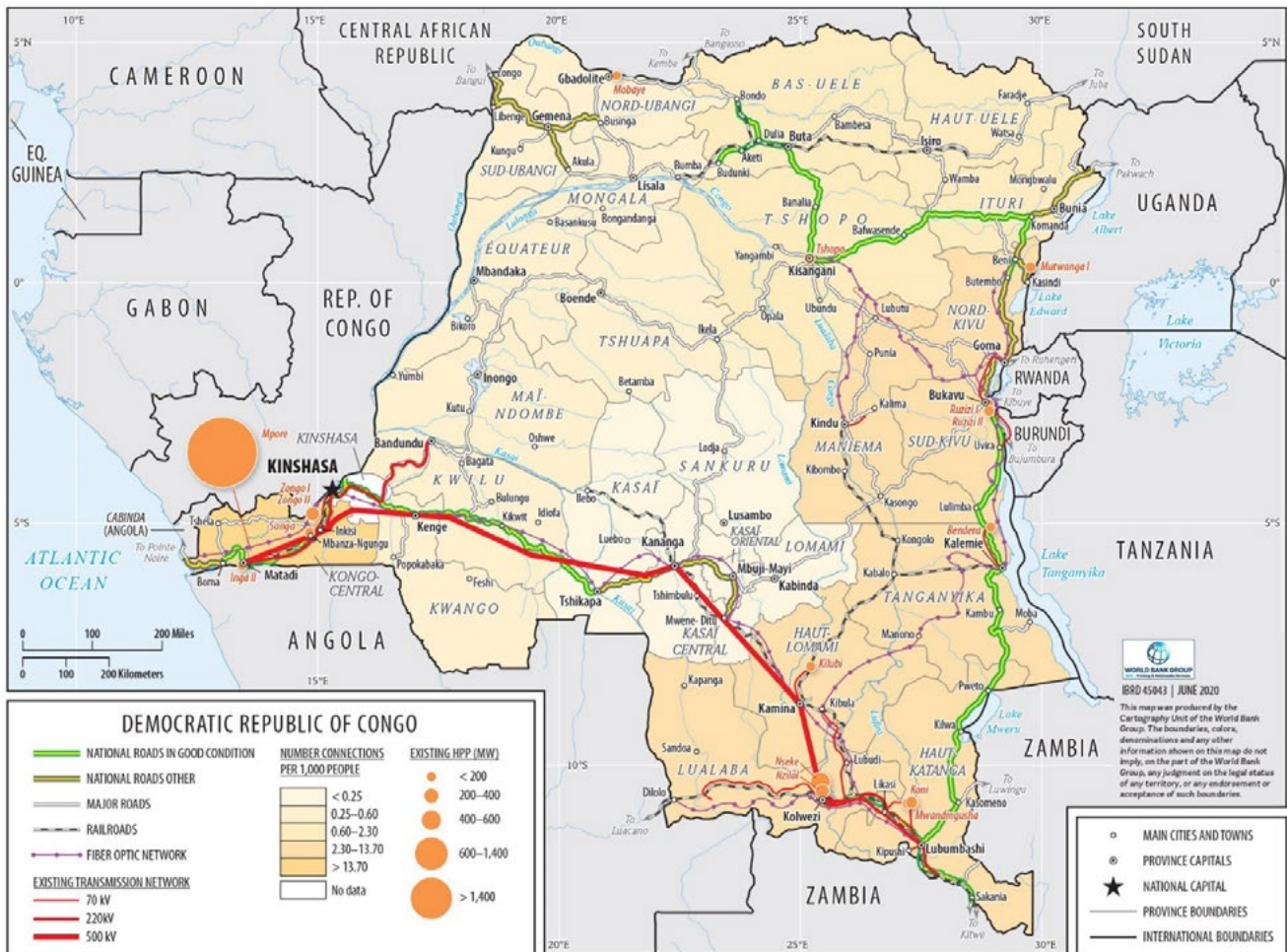
| Priority measures and expected impacts on drivers of fragility | Region | Short-term actions and policy measures to create market opportunities | Medium-term actions and policy measures to create market opportunities |
|---|-------------|---|---|
| <p>Reforming finance will</p> <ul style="list-style-type: none"> Improve access and services in fragile and poor regions. <p>Reforming education and health will:</p> <ul style="list-style-type: none"> Improve social contract and trust. Improve access and services poor and vulnerable segments of society. | All regions | <p>Opportunities: Increase financial inclusion through development of and investment in digital financial services (payment systems, mobile money); attract private equity and venture capital so as to build on the successful experience of the King Kuba fund (equity investment) to cities with expanding SME activities (Goma, Lubumbashi, Bukavu); increase investments in the insurance sector.</p> <p>Measures: Operationalize bilateral and multilateral interoperability in digital finance; adopt unique financial biometric identification; create a common digital platform for MFIs; enhance government-to-private and private-to-government payments; expand internet coverage; provide financial education; offer advisory support (capacity building) to SMEs and banks; develop the regulatory environment framework for PE and VC digital finance; support the development of the insurance sector.</p> <p>Opportunities: support social entrepreneurs leveraging new technologies through impact bonds and social franchising.</p> <p>Measures: Launch program of impact bonds and social franchising - including pilots leveraging new technologies.</p> | <p>Opportunities: Increase access to finance for SMEs by developing SME finance instruments and products; increase access to agriculture finance (including agri-insurance).</p> <p>Measures: Develop risk-sharing mechanisms that include partial credit guarantees (with a crisis component), provision of long-term credit lines, and collateral systems (the development of and investment in leasing and warehouse receipts financing); support the development of private credit bureaus to reduce borrower information asymmetry; support capital markets development (beyond the government bond market) and develop the regulatory environment for capital markets; support the restructuring and refinancing of SOFIs (Savings Bank of Congo, CADECO; Development Bank of Congo, SOFIDE; and cooperative banks, COOPEC IMARA and the MECRECO networks).</p> <p>Opportunities: Leverage new technologies and the vast network of private providers such as social entrepreneurs and faith-based organizations.</p> <p>Measures: Create a skills fund for private sector-led TVET; support private sector and e-solutions (e-health and ed-tech); develop training and certification of doctors and teachers.</p> |

Note: MFI = microfinance institution; PE = private equity; SME = small and medium enterprise; SOFI = state-owned financial institution; TVET = technical and vocational education and training; VC = venture capital.

| Priority measures and expected impacts on drivers of fragility | Region | Short-term actions and policy measures to create market opportunities | Medium-term actions and policy measures to create market opportunities |
|--|--------|--|--|
| 3. Improve governance and the business environment. | | | |
| Policy-making governance reform will: <ul style="list-style-type: none"> Address governance issues. | | Measures: Strengthen the capacity of the CTR to steer key reforms through advocacy, quality control, implementation support, and monitoring. | |
| Fiscal reform will: <ul style="list-style-type: none"> Secure a stronger fiscal revenue base. | | Measures: Consolidate taxes with lower rates in exchange for reduction of exemptions, including on imports; audit para-fiscal measures including those falling within the remit of subnational authorities; pursue business reforms related to taxation. | Measures: Codify para-fiscal measures and eliminate the most egregious ones; automate tax systems; effectively implement the single window reform and expand it to secondary cities; simplify taxation for microenterprises; develop a property tax system starting with the high-value urban and suburban areas. |
| Strengthening commercial justice and property rights will: <ul style="list-style-type: none"> Address governance issues. | | Measures: Implement the recently adopted OHADA laws that provide for the training of judges, transparency of court decisions and their motivations, the independence and accountability of judges, and the development of mediation and arbitration. | Measures: Secure and digitize land registries, a task which goes hand in hand with improving commercial justice because the majority of disputes are land-related; start with high-value land areas. |
| Bolstering the capacity to reform SOEs and establish PPPs will: <ul style="list-style-type: none"> Improve use of fiscal revenues. Address governance issues. | | Measures: Promote PPPs and reform key SOEs by strengthening the state's ownership function through consolidating and reinforcing COPIREP and CSP; build capacity at the provincial level starting with regions already experimenting with PPPs; reform SOE boards and reporting, starting with the priority SOEs (SCTP, SNCC, SNEL, SCPT, RVF and GÉCAMINES). | Measures: Create a fund to ensure that prefeasibility studies are reliably funded; operationalize recommendations from infrastructure assessments in key sectors (energy, ICT, transport) and regions (see above) and build capacity with expertise and training. |

Note: COPIREP = State-Owned Enterprises Reform and Management Committee (Comité de Pilotage de la Réforme des Entreprises Publiques); CSP = State Portfolio Upper Council (Conseil Supérieur du Portefeuille); CTR = Reform Technical Committee (Comité Technique des Réformes); GÉCAMINES: Générale des Carrières et des Mines; ICT = information and communication technology; OHADA = Organization for the Harmonization of Business Law in Africa; PPP = public-private partnership; RVF = Régie des Voies Fluviales; SCPT = National Post and Telecommunications Company (Société Congolaise des Postes et Télécommunications); SCTP = Société Commerciale des Transports et des Ports; SNCC = Société Nationale des Chemins de Fer du Congo; SNEL = Société Nationale d'Electricité; SOE = state-owned enterprise;

MAP ES.1 MAP OF THE DEMOCRATIC REPUBLIC OF CONGO WITH KEY INFRASTRUCTURE



Source: World Bank cartography office.

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